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ITEM NO: WH-6   DATE: 11 OCT 74

SUBJECT: UK-ELECTION

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THREE
THE LABOR PARTY'S ~~ONE~~-SEAT MAJORITY IN THE GENERAL ELECTION
ON THURSDAY WAS A CONSIDERABLY SMALLER MARGIN OF VICTORY THAN MOST
OPINION POLLS HAD PREDICTED.

PRIME MINISTER WILSON IS EXPECTED TO FORM THE NEW GOVERNMENT
ON MONDAY, AT WHICH TIME HE IS EXPECTED TO ANNOUNCE THE NEW
GOVERNMENT'S PROGRAM OF ACTION. NO MAJOR CHANGES ARE LIKELY
IN HIS CABINET.

TORY LEADER HEATH'S POLITICAL CAREER WILL PROBABLY NOT SURVIVE
THIS LATEST DEFEAT. THE CONSERVATIVES NEEDED ONLY 277 SEATS
TO LABOR'S 319. THE LIBERALS LOST A SEAT TO FINISH WITH A TOTAL
OF ONLY 13 AND THE VARIOUS NATIONALIST PARTIES PICKED UP SOME SEATS,
BUT NOT AS MANY AS HAD BEEN ANTICIPATED.

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ECONOMIC PROBLEMS WILL COMMAND THE IMMEDIATE ATTENTION OF THE NEW WILSON GOVERNMENT. THE PRIME MINISTER IS CERTAIN TO MOVE TOWARD INCREASED GOVERNMENT PARTICIPATION IN INDUSTRY. IN VIEW OF THE SMALL SIZE OF LABOR"S MAJORITY, HOWEVER, WILSON MAY BE ABLE TO PLEAD CAUTION AND SOFTEN THE MORE RADICAL DEMANDS OF THE PARTY"S LEFT WING. WILSON IS EXPECTED TO MAKE EVERY EFFORT TO PERSUADE LABOR TO ABIDE BY THE PROGRAM OF VOLUNTARY WAGE CONTROLS KNOWN AS THE "SOCIAL CONTRAST." THE SUCCESS OF LABOR'S ANTI-INFLATION PROGRAM WILL DEPEND LARGELY ON THE COOPERATION OF RANK-AND-FILE WORKERS.

THE BROAD QUESTION OF BRITAIN'S MEMBERSHIP IN THE EC AND A PROPOSED REFERENDUM--EXPECTED WITHIN THE YEAR--COULD CAUSE DISSENSION WITHIN THE LABOR GOVERNMENT. DURING THE CAMPAIGN, WILSON FACED OPPOSITION FROM INFLUENTIAL CABINET MEMBERS, SHIRLEY WILLIAMS AND ROY JENKINS, WHO DECLARED THAT THEY WOULD LEAVE THE GOVERNMENT IF BRITAIN OPTS OUT OF THE COMMUNITY. ACCORDING TO RECENT PUBLIC OPINION POLLS, THE ODDS ARE ABOUT EVEN THAT BRITONS WILL VOTE TO PULL OUT OF THE EC.

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THE ELECTION OUTCOME IS UNLIKELY TO CHANGE THE STATUS OF THE

UK DEFENSE REVIEW. OFFICIAL DECISIONS ON THE SIZE OF THE CUTS

IN THE DEFENSE BUDGET ARE EXPECTED TO BE ANNOUNCED SOMETIME THIS

FALL. SOME CUTS IN BRITAIN'S NATO-COMMITTED FORCES APPEAR

INEVITABLE.

THE NEW GOVERNMENT WILL NEED TO PAY GREATER ATTENTION TO THE

DEMANDS OF THE REGIONAL PARTIES, NOTABLY THE SCOTISH NATIONALISTS.

WITH THEIR SMALL BUT EXPECTABLE TOTAL OF 11 SEATS, AND THE PROSPECT

OF CONSIDERABLE WEALTH FLOWING INTO SCOTLAND FROM THE NORTH SEA

OIL FIELDS, THE SCOTTISH NATIONALISTS WILL HAVE A STRONGER VOICE

IN PARLIAMENT. E2 IMPDET.

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